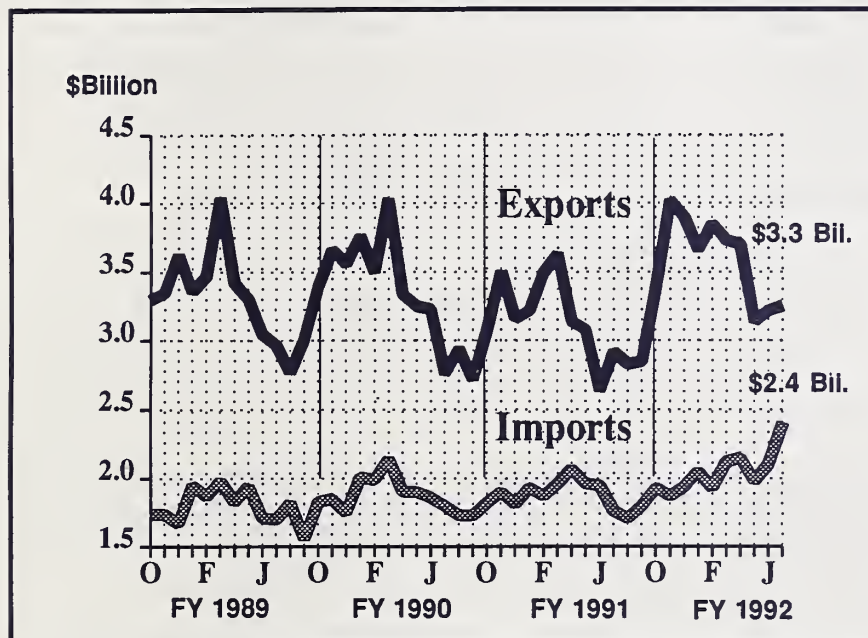


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AGRICULTURAL TRADE HIGHLIGHTS

Farm Exports Remain Strong... Rise 12 Percent in July



July trade statistics released on September 17 by the Commerce Department placed U.S. agricultural exports at \$3.25 billion, up 12 percent from the same month last year. Sharply higher shipments of wheat, tobacco, soybean meal, and consumer-oriented high-value products accounted for most of the gain. With July's strong export performance, the cumulative fiscal 1992 total (October-July) rose to \$35.9 billion, up 13 percent from the same period last year.

At \$1.4 billion, U.S. exports of *bulk commodities* were up 15 percent from last July. Large increases in wheat, tobacco, soybeans, and cotton exports accounted for most of the increase. Year-to-date bulk exports were up more than \$1.6 billion from levels a year ago and now total \$16.9 billion.

U.S. exports of *intermediate high-value products* reached \$704 million, up 4 percent from shipments last year. Increased exports of soybean meal, sweeteners and hides and skins more than offset a moderate decline in the other products in this category. July's performance brought the year-to-date total to \$7.75 billion, 10 percent ahead of the same period last year.

Exports of *consumer-oriented high-value products* continued at a record setting pace, and reached \$1.1 billion in July--12 percent over July 1991. Increased exports of red meats, snack foods, processed fruits and vegetables, and dairy products accounted for most of the gain. July's performance brought the year-to-date total to over \$11 billion, 18 percent ahead of the same record-setting period last year.

Trade performance with the top 10 U.S. agricultural export markets in July was mixed; shipments to China, Brazil and the EC registered sharp declines while double-digit gains occurred to Japan, the former Soviet Union, and Mexico. Exports to drought-plagued sub-Saharan Africa posted a 113 percent gain from year earlier levels, while shipments to Latin America (excluding Mexico) dropped 9 percent.

U.S. agricultural imports for July rose 35 percent from year earlier levels to \$2.4 billion. Most of the gain was due to sharply higher leaf tobacco imports which are unlikely to be sustained in the months ahead.

July's performance brings the cumulative import total during the first ten months of the fiscal year to \$20.5 billion, up 7 percent from the same period last year and well on its way to a new record high. The large increase in July's imports reduced the monthly trade surplus to \$900 million, the lowest so far this year.

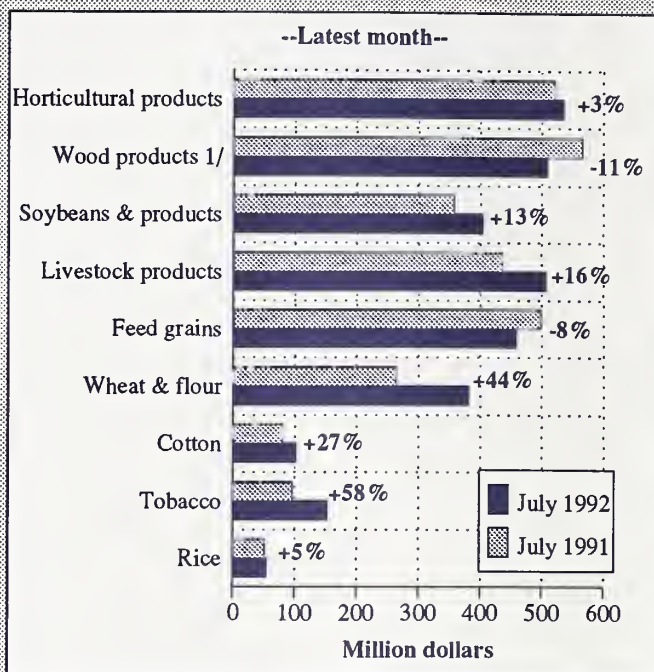
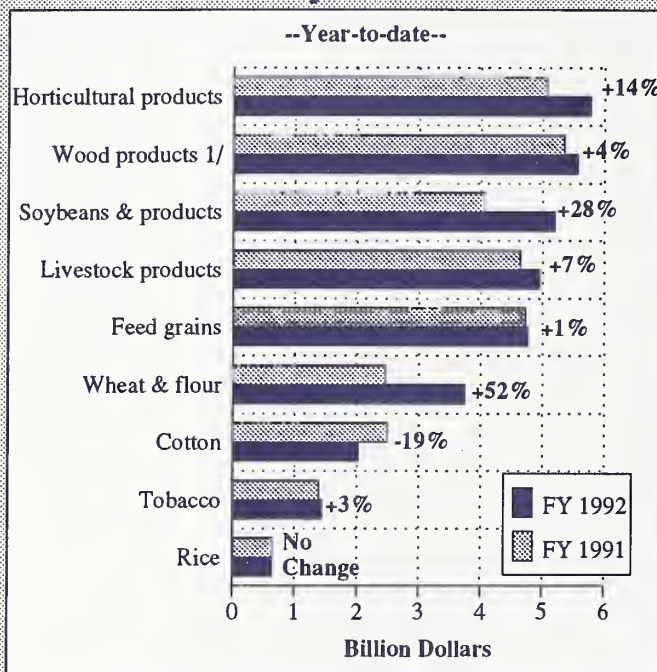
Inside This Issue...

	Page
Commodity Highlights	3
PRODUCT SPOTLIGHT:	
Organic Foods	5
COUNTRY SPOTLIGHT:	
Canada	8
Trade Policy Updates	10
Market Updates	12
U.S. Agricultural Exports:	
By Commodity Group	15
By Region	16
Foreign Exchange Rates	17

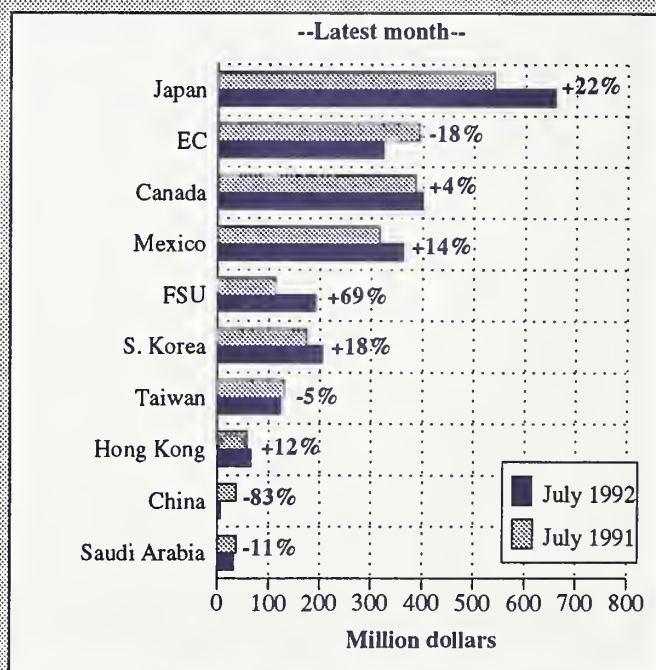
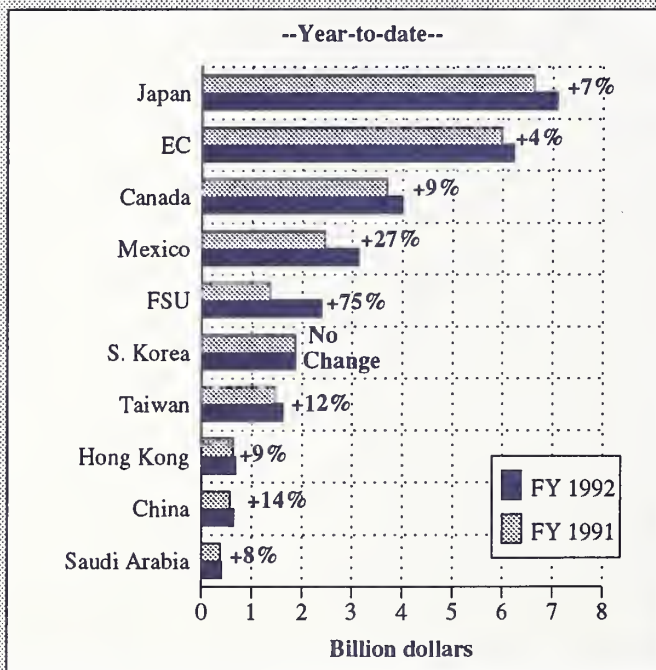
U.S. Agricultural Export Summaries

October-July and Latest Month Comparisons

Product Summary



Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.

1/ Not included in agricultural totals.

Commodity Highlights

July export sales of *wheat and wheat flour* grew 44 percent on a 21 percent volume gain over the same period last year. More than 90 percent of the value gain was due to increased shipments to the former Soviet Union which was absent from the market during last July due to credit constraints. Higher shipments to Egypt and Yemen accounted to much of the remainder. Much of this business involved concessional sales of one sort or another. July's performance boosted exports so far this year to \$3.7 billion and almost 30 million tons, up 52 percent and 33 percent from the comparable period last year, respectively.

Notable reductions in sales of *feed grains*, mostly corn, to the former Soviet Union, and the EC during July more than offset dramatic gains in shipments to drought-stricken sub-Saharan Africa, resulting in an overall decline of 8 percent to \$459 million on a 12 percent drop in volume. So far this fiscal year, exports of feed grains are up a marginal 1 percent to \$4.76 billion on a 4-percent decline in volume.

Exports of *oilseeds and products* during July were up 13 percent to \$513 million on a 10 percent gain in volume. Increased sales to Mexico and Japan, up \$35 million and \$22 million respectively, more than offset a \$21 million decline in shipments to the EC. Shipments to the EC have been reduced by lower demand for protein meal, as dairy herds continue to contract due to the effects of the EC's milk marketing quotas. Exports of oilseed meal and oil are generally expanding because foreign oil and meal usage are projected to out-grow foreign supplies. July's export performance brings year-to-date sales to \$6.3 billion, 28 percent higher than last year.

Rice exports in July rose 5 percent to \$54 million on an 18 percent gain in volume. Modest gains occurred in sales to Mexico, Costa Rica, and the EC, while Somalia and Mozambique

received more than \$3 million of rice in food aid. July's performance brings year-to-date sales to \$640 million, largely unchanged from the same period last year. Notable declines in sales were limited to Jamaica, Sierra Leone, and South Africa. The lower unit value of U.S. rice exports in July is due to domestic suppliers unloading large stocks, previously held in storage.

Growing world demand for U.S. *horticultural products* pushed exports in July to \$536 million, 3 percent above last year. July's performance brings year-to-date horticultural exports to almost \$5.8 billion, 14 percent ahead of last year's record level. By the end of the fiscal year, horticultural exports are expected to reach \$6.8 billion, which is 13 percent above last year's record level. The 3-percent gain in value for July represents unusually slow growth in this typically high growth area, although export volume did increase 19 percent. Volume growth is not a good measure of trade performance, in this product category because it excludes beverages and nursery products. Overall, fresh fruit sales declined 11 percent but were more than offset by gains in snack foods, processed vegetables, wine, and fruit and vegetable juice exports. Sales to Mexico were 12 percent above last July, while most other major markets showed only modest changes.

Unmanufactured tobacco exports surged to \$152 million in July, 58 percent higher than last year on a 41 percent rise in volume. Shipments to Turkey and Japan were \$53 million and \$41 million higher than last July respectively, easily offsetting a \$22 million decline in sales to the EC. Year-to-date sales now stand at \$1.4 billion, 3 percent ahead of the same period last year.

Cotton exports recovered somewhat in July to \$102 million, with shipments 27 percent ahead of last year, on a 63 percent rise in volume. Sales to Mexico, Korea, and Indonesia rose \$10 million, \$7 million, and \$6 million re-

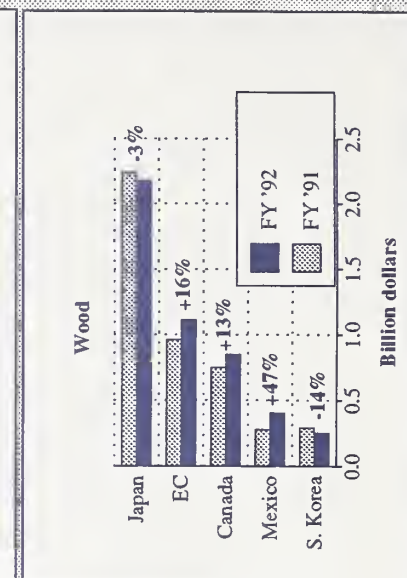
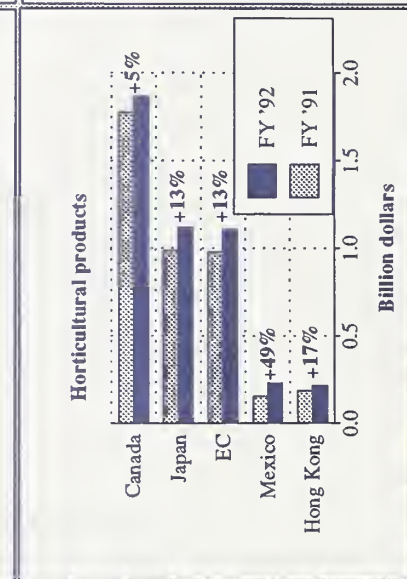
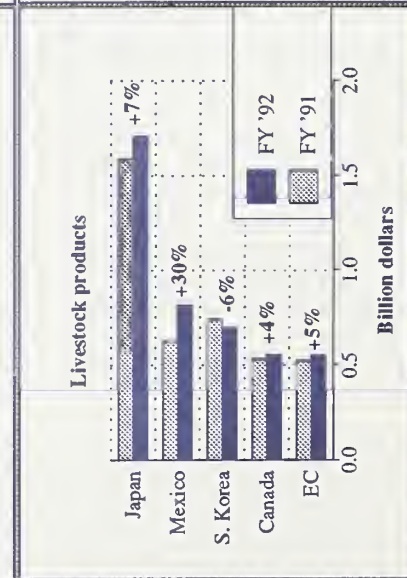
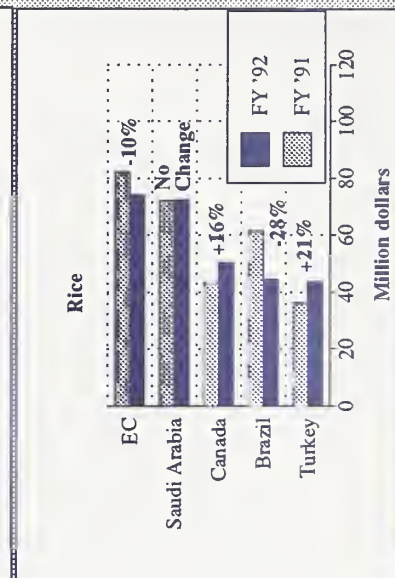
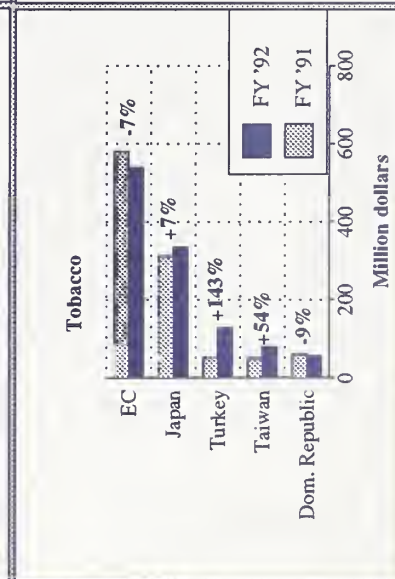
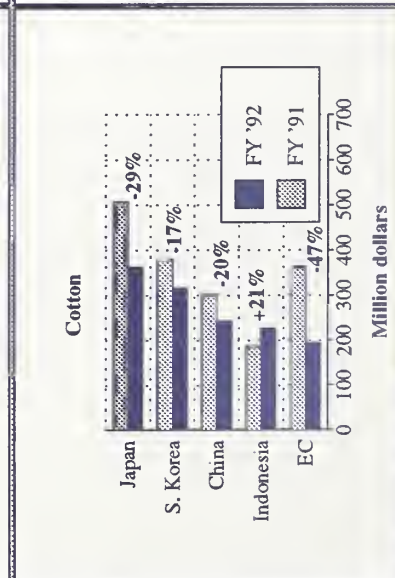
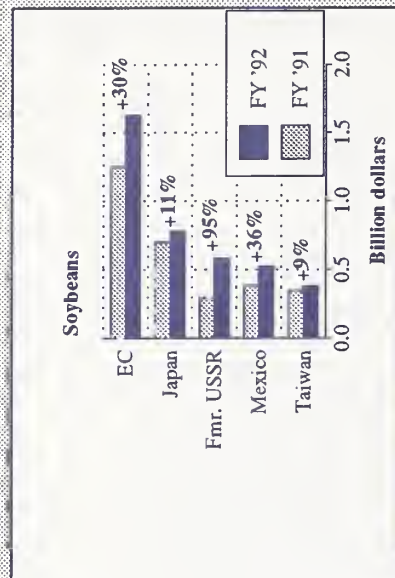
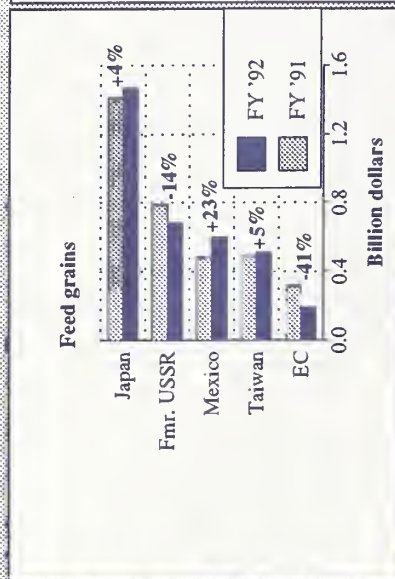
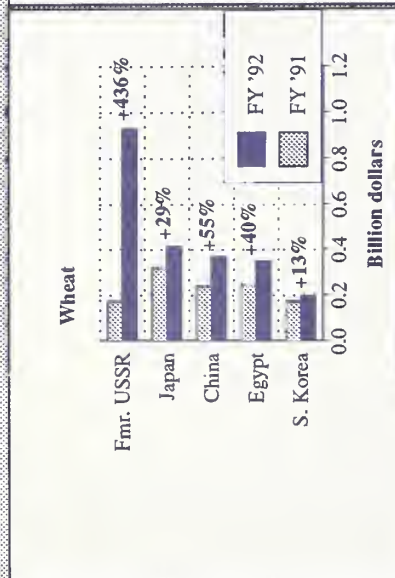
spectively, easily offsetting a \$4.5 million drop to the EC. The drop in export unit value from last July is due to increased supplies from China, the U.S. and Kazakhstan. Kazakhstan cotton which had supplied the former Soviet Union, is now being diverted to the international market, much of it under bartered terms. Year-to-date cotton exports are now running about 19 percent below year-earlier levels at just over \$2 billion.

Livestock and product exports continued to post strong growth for July, reaching \$506 million or 16 percent ahead of last year. Sales growth was most prominent for offals, breeding cattle, beef and pork, and tallow. Major declines occurred in sales of cattle hides and skins, and horses for breeding. The Japanese market again led all others in sales growth, gaining \$56 million in July to reach \$197 million in July. Over \$47 million of this gain in Japan was in sales of chilled beef and veal, which is benefiting from the reduction in Japanese import duties to 60 percent. Year-to-date exports of livestock and products are now more than \$4.9 billion, up 7 percent or \$314 million from the same period last year.

Exports of *wood products* jumped 11 percent in July to \$567 million. Sales advanced across a broad front, led by Japan and Germany, which were responsible for \$46 million and \$9 million of the gain, respectively. Year-to-date exports now totaled \$5.6 billion, 4 percent higher than at this time last year.

For more information, contact Tom St. Clair at (202) 720-1294

Top Five Markets for Major U.S. Commodities October-July Comparisons



Note: Percentages are computed as the change from fiscal 1991 to fiscal 1992 cumulative totals.
1/ Negligible exports reported during comparable period last year.

Product Spotlight: Organic Foods

Agricultural Trade Highlights' product spotlight continues this month with a look at exports of organic foods. While the lack of official trade statistics makes estimates of U.S. export levels difficult, one thing is certain, global demand is on the rise and U.S. suppliers are increasingly stepping forward to satisfy the tastes of this dynamic, growth industry of the 1990's.

Health foods are appealing to an increasingly broader consumer segment. In the United States "healthy" foods have entered the marketing mainstream thru food processor giants such as ConAgra which has successfully introduced its *Healthy Choice* line of prepared food. Export markets are also becoming more important as global demand for health food continues to grow.

Health or "healthy" foods are extremely broad categories subject to considerable debate over what they include. This article focuses on the consumer market for organic fruits and vegetable products. The Department of Commerce, which records U.S. trade statistics does not distinguish between organic or non organic products. Therefore, there are no official trade statistics on organic food ex-

ports. U.S. exports of non citrus fresh and processed fruits and vegetables are used as a surrogate for organic fruits and vegetables. Since organic products are a subset of undetermined size of the total fruit and vegetable composite.

The combination of demographic trends, a linkage between diet and health, and environmentalism applied to food is expanding the market potential for organic food internationally. Discussions with numerous trade sources and analysis of the data indicate Canada, Japan and the EC are likely the largest and most promising prospect for U.S. suppliers.

Canada Leads All Export Markets

Canada is the leading destination of U.S. fresh fruits and vegetables and second in processed fruits and vegeta-

bles with shipments valued at a record \$1.1 billion and \$324 million, respectively.

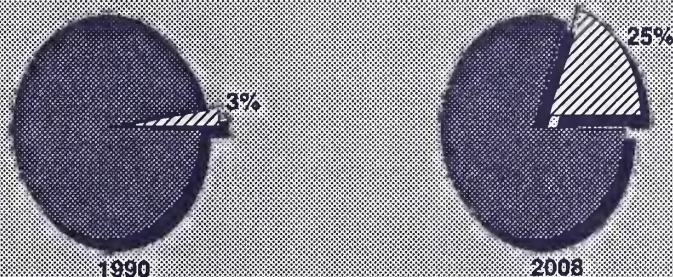
The U.S. and Canada share similar demographic profiles. Canada, like the U.S., has a declining birth rate, aging population composition, smaller families, and more women working; additionally, net family incomes have stagnated, "family time" is limited, and education levels have risen. Consumers are increasingly concerned about food safety, diet and its relationship to health, and the environment. These attitude changes are positive forces with potential to drive increased demand for organic food in Canada.

Survey results of Canadian retailers, including health food stores, indicate increasing demand for health food products in 1990. An eleven to twenty percent growth in demand for fruits and vegetables was reported. Processed products grew at substantially higher rates -- from 21 to 50 percent. Consumer surveys conducted by food processors indicate Canadian consumers are willing to pay a premium for organic foods. However, actual experience by retailers contradicts the survey results, with consumers reportedly resistant to higher prices for fresh organic compared with non organic fruits and vegetables. The dichotomy seems to dissipate with value added products, where organic fruits and vegetables are the raw materials. The more highly processed the product, the greater the difficulty consumers have in making price comparisons between similar organic and non organic products. According to a Canadian market study, there is a niche market for high value organic processed food.

In 1990 organic food was estimated to account for 3 percent of the total Canadian food market. Many Canadian producers and retailers expect organic food to expand to 25 percent of the market within the next two decades. Projections of an expanding market share for organic foods in Canada and rising U.S. fruit and vegetable shipments imply a fertile Canadian market for U.S. organic food shipments.

Canadian Consumers Expected to Take a Bigger Bite of Organic Foods

Organic Foods as a Share of Total Food Consumption



Survey of Canadian Producers and Retailers

....Organic Foods

Japan Top Growth Prospect

Japan's organic food market is rapidly growing. From 1984 to 1989, organic food sales in Japan grew 91 percent, reaching \$268 million. Processed organic food accounted for \$101 million or 38 percent of the total organic market, and non processed (fruits and vegetables) purchases were \$167 million or 62 percent of total organic sales. The growth in organic food sales is expected to continue, reaching nearly \$700 million by 1994.

The definition of organic food is less stringent in Japan than in the U.S. In Japan, food is considered organic if it is grown with 1) non chemical fertilizers and no pesticides; or 2) non chemical fertilizer and less pesticide; or 3) less pesticide.

The most popular organic foods are potatoes, spinach, tomatoes, oranges, radishes, lettuce, cucumbers, apples, carrots, cabbage, green peppers, strawberries, onions, chinese cabbage, pumpkins, melons, sweet potatoes, eggplant and watermelons. Popular processed organic foods are tofu, fermented soybeans, milk, eggs, soy sauce, bean paste, tea, and pickles.

Though still a small share of the market, Japan's imports of U.S. organic foods have grown by more than eighty percent every year since 1987, reaching the \$1 million mark in 1990. Results of a market study of the Japanese health food market suggest that by 1994 U.S. organic food shipments could range from \$5.4 to \$9.1 million. This indicates the U.S. market share could increase to between .78 and 1.32 percent of total organic food sales in Japan.

The organic food business in Japan emerged around 1970 when unrestrained use of chemical fertilizers and pesticides by Japanese producers led to concern about environmental contamination, food safety and soil deterioration. As a consequence, the Japan Organic Agriculture Research Society was organized by doctors, agricultural scientists and officials of cooperative societies.

Since 1985, organic food consumption has become more widespread as consumers recognized the impact of excessive use of chemicals on soil, and food safety issues became more prominent after the 1986 Chernobyl nuclear accident. Organic foods moved into mainstream food markets in 1981 when a retail organic food shop, the Shojiki-Mura (Shojiki Village) was opened in an upscale Ginza Department Store. Since 1978, the number of supermarkets and department stores carrying organic food has expanded from 18 to 147 in 1987.

The rapid growth in organic food consumption has been primarily driven by demographic factors and environmental concern. Increasingly, Japanese consumers are aware of the linkage between diet and health, particularly as the Japanese population ages. These changes along with environmental food safety issues and consumer willingness to pay a premium of up to 50 percent for high quality organic food, have created a dynamic organic food market.

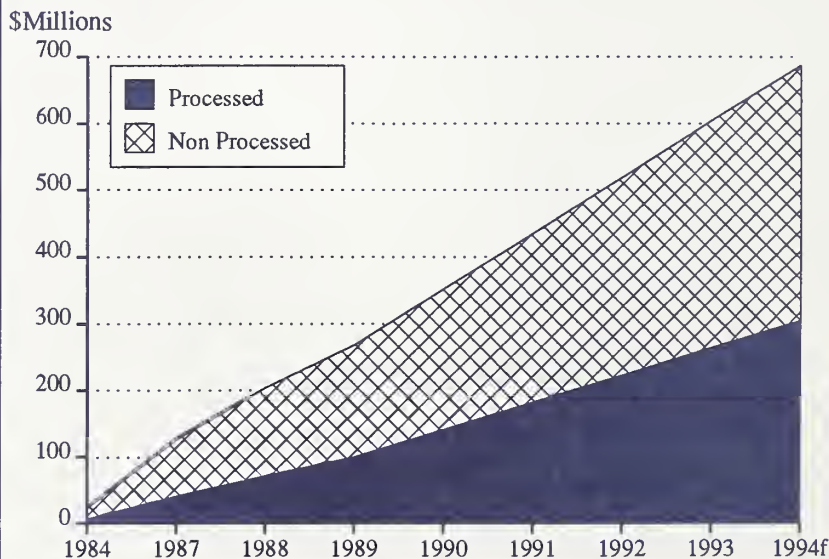
Market studies indicate Japanese consumers are dissatisfied with the limited number of organic foods available

and the seasonal availability of organic foods. This is a market opportunity for U.S. organic suppliers to satisfy that need. However, consumers in Japan have mixed views about imported food. Many Japanese fear contamination by post harvest pesticides - a fear driven by both the domestic farm lobby, and a general concern sparked by ground contamination from the Chernobyl nuclear accident. Conversely, consumers welcome the opportunity to purchase imported foods at cheaper prices.

U.S. trade opportunities could be enhanced if Japanese consumers were made aware that U.S. organic food regulations are stricter than Japanese regulations. Joint efforts between U.S. exporters and Japanese fruit and vegetable importers are crucial to export sales. For example, Taneyama Ga Hara imports fruit jams from Cascadian Farm in Washington, and non citrus fruit juices from Heinke Farm in California. A consistent supply of organic product will establish an image of reliability among consumers.

Processed foods made from organically grown crops have the best opportunity for sales, followed by fruit

Organic Food Retail Sales Trends - Japan



....Organic Foods

products. Processed food is the fastest growing segment of the organic food market -- its share is expected to rise to 44 percent by 1994, up from 18 percent in 1984. Other top prospects are vegetables such as onions, burdock root, radishes, pumpkins and cucumbers.

EC Demand On the Rise

The EC is the third largest U.S. market for fresh and processed fruit and vegetables. In 1991, a record \$412 million was shipped to the EC. Rising demand for U.S. fresh and processed fruits and vegetables is a positive environment for sales of organic fruit and vegetables.

Understanding the EC consumer is an important factor in assessing the EC market for U.S. organic foods. EC consumers are highly sophisticated and brand conscious in food consumption. A high proportion of income is spent on food and drink which is an important part of social life. Consumers place a high value on the product's reputation for quality.

Changing consumer demographics and lifestyles in the EC are revolutionizing consumption patterns. Some of these changes include: more women in the workforce, a greater proportion of the population comprised of older persons (who tend to be more health and diet conscious), smaller households (creating a demand for smaller portion sizes), changing eating patterns toward more convenience and fast food, a concern for fitness (creating a demand for diet foods) and heightened consumer expectations about food products. One overriding trend is the increased speed of meal preparation which has led to rising demand for microwave meals. Factors EC consumers increasingly look for in food are convenience, nutrition, low calories, and high quality.

Food safety and environmental issues have emerged as a concern among consumers and drive the demand for organic foods. For example, the influence of the Green movement has

spread throughout the EC, beyond its political manifestation, with one of the results being a growing willingness to pay a premium for food which is environmentally safe and healthy. This movement is particularly strong in Germany where 53 percent of consumers are willing to pay a premium for products that are environmentally sound.

Organically grown foods are increasingly popular along with lifestyle trends toward alcohol-free beer, "lite" wines, pasta dishes made with vegetables, low or no salt snack foods, and low fat frozen yogurt. This combination of lifestyle trends and social environmentalism is leading toward the mainstreaming of organic food as supermarkets establish organic food departments in their stores.

Other trends enhancing the appeal of organic food are preferences for safe foods with no additives, chemicals or hormones, and a fear of artificial foods as consumer awareness of the interrelationship between diet and health rises. Concern among many Europeans about the safety of foods from traditional agricultural production is also a reason for the increase in popularity of organic food. EC consumers perceive the agriculture community as overusing fertilizers, chemicals, and a major source of water pollution. The public has also been traumatized over drug scandals such as thalidomide, diethylstilbestrol (DES), Chernobyl, and Bovine Spongiform Encephalopathy (mad cow disease) in food. All these factors have led to a rising uneasiness toward food additives.

Overall, general demographic trends leading toward healthier diets and increased consumption of fruits and vegetables, and EC consumer food safety fears are creating a positive environment for U.S. organic food sales in the EC.

Canada, Japan and the EC share demographic and fruit and vegetable consumption trends which indicate a growing domestic market for organic

food. These expanding markets represent export sales opportunities for U.S. producers of organic food.

For more information, contact Robert Tse at (202) 720-1294.

Country Spotlight: Canada



Canada is the second largest market for U.S. agricultural exports. Shipments from U.S. suppliers totaled \$4.4 billion in fiscal year 1991, up 18 percent from 1990. These sales accounted for 11 percent of total U.S. agricultural exports.

U.S. agricultural exports to Canada are expected to reach a record \$4.8 billion in fiscal 1992, up nearly 10 percent from 1991. Record sales are forecast despite a weak Canadian economy and a 5 percent devaluation in the Canadian dollar against the U.S. dollar during the first six months of the year.

According to a recent USDA study, the outlook for continued export growth in Canada is extremely promising. This is partly due to an improved United States-Canada trade en-

vironment, a product of the free trade agreement (FTA) between the two countries. The continued tariff reductions under the FTA will further the competitive edge for many U.S. goods over competing suppliers in the Canadian market. The recently signed North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico reinforces the previously signed FTA between the United States and Canada. NAFTA, however, is not expected to increase U.S. agricultural exports to Canada beyond the gains of the FTA.

U.S. Dominates Market

The United States is the dominant supplier of agricultural goods to Canada in all three processing stages -- bulk, intermediate high-value, and consumer-oriented-high-value, constituting a 60 percent total import market share. The United States's major competitors for Canadian market share are France, Australia, Mexico, the United Kingdom, and Italy. U.S. market share of bulk commodities is 37 percent, 82 percent in intermediate products, and 61 percent in the consumer-oriented category. Of the three product categories, the most promising

for future sales are consumer-oriented products. Canadians purchased nearly \$3.3 billion of these foods during fiscal 1991 - the highest ever. The average annual growth rate from 1985-91 reached 12 percent. This compares to 9 percent growth and no growth for intermediate and bulk commodities, respectively, during the same period.

Horticultural Products Top Sellers

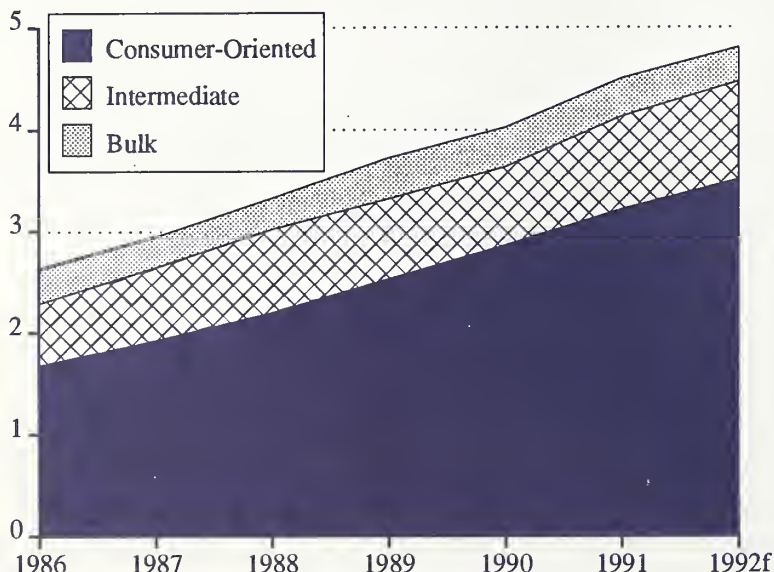
Of all consumer-oriented agricultural exports to Canada, horticultural products are the brightest stars. In 1991, Canadians purchased \$2.4 billion dollars worth of these products, making them the largest product category. Since 1985, sales to Canada of these high-value agricultural products have nearly doubled. Fresh and processed fruits and vegetables, including juices, which comprised 38 percent (\$1.6 billion worth) of total agricultural exports to Canada in 1991, have accounted for most of the recent growth in overall sales of horticultural products. Products with strong sales growth include grapefruit, strawberries, grape wine, processed pears, frozen orange juice concentrates, tomatoes, carrots, peppers, and lettuce.

The growth in Canadian fresh fruit and vegetable consumption is expected to continue through the 1990's. Changing consumer perceptions and an increasing awareness of the interplay between diet and health is evident in consumer purchasing patterns. According to the Canadian grocery industry, the supermarket meat department has been displaced by the produce department as the largest contributor to store profit per unit of store area.

Historical produce consumption patterns are changing rapidly in Canada reflecting the impact of socio-economic and demographic changes upon food purchases. Increased disposable incomes, two income families, increased world travel, more male shoppers, and the increased availability of exotic food at the food service level, has resulted in increased demand for different types of produce in the grocery store. Some of the impact of these changes is evident in increased melon and tropical fruit sales.

Consumer-Oriented Products Account for Growing Share of U.S. Agricultural Exports to Canada

\$Billion



these changes is evident in increased melon and tropical fruit sales.

Canada is often described as a multi-cultural mosaic. Recently, a shift in the origin of immigrants has occurred from the traditional origin of Western Europe toward Asia. This new wave of immigrants is beginning to affect regional and overall consumption patterns. For example, Asians, who make up the majority of new immigrants to Canada, do not have a history of large per capita consumption of apples, but do consume relatively large quantities of vegetables.

Consumption patterns in Canada are also being influenced by changing lifestyles. These changes are helping to increase the demand for U.S. agricultural products. An increase in the number of women in the work force has contributed to a reduction in the number of meals consumed at home. The result has been an increase in imports of high-value U.S. food service products.

Increased consumer awareness of health, nutrition, and calorie reduced foods, along with increased interest in international foods has accelerated demand for U.S. packaged foods and single-portion prepared foods (particularly microwaveable products). Prepared poultry meal exports have benefitted from the increasing consumer awareness. Exports of these consumer-oriented high value U.S. agricultural products climbed from \$5.6 million in calendar year 1990 to \$8.6 million in 1991. Compared to the same period in 1991, prepared poultry meal exports are up 84 percent in the first half of 1992.

U.S. fresh, chilled, and frozen poultry meat exports to Canada are also growing rapidly. Canadian purchases of these products increased 12 percent (\$3 million) from 1990 to 1991 a trend which has continued in 1992. This growth is the result of increased demand for leaner, white meat.

Canada is often viewed as an extension of the U.S. market, however, differences do exist. Advertisers may need to consider these differences in their consumer promotions. Furthermore, exporters should consider the

Unusual Weather Hampers Canadian Fruit and Vegetable Production

In the United States, the midwest has experienced an unusually cool, wet summer. Canadian agricultural producers have also faced an unusually cool and wet growing season. In central Canada, July of 1992 was registered as the coolest July in 109 years. Weather conditions consisted of very little sunshine combined with an overabundance of moisture.

According to Canadian horticultural officials in southern Ontario and Quebec, many crops have not set, and are considered to be 2 to 3 weeks behind schedule. Tomato and cucumber yields are expected to be significantly lower in this important production region.

Tree fruits such as apples and peaches have sustained some damage from a hailstorm which passed through Quebec. Nearly 15 percent of the approximately 25,000 acres of apples suffered damage. Peach yields are not expected to be affected by the storm, however, peach quality may be compromised.

demographics within Canada, as they may vary by or within geographical region. Consumers in Quebec, for example, may have different tastes and preferences than consumers in Vancouver. Additionally, U.S. exporters should expect higher tax rates in Canada than in the United States.

The Canadian food distribution and retailing system has some unique characteristics as well. For instance, the retail food system of Quebec differs somewhat from that of the rest of Canada with relatively fewer grocery store chains and more independently operated stores. Exporters marketing agricultural products across the entire country may find it necessary to employ a French-speaking agent, as French is the dominant language in Quebec.

U.S. agricultural exports to Canada must conform to packaging and labeling requirements. For example, all products must contain labels printed in both English and French. Additionally, labels must be printed to meet minimum type size requirements. Information on packing and labeling requirements can be obtained from the nearest U.S. Foreign and Commercial Service (USFCS) office of the International Trade Administration.

The window of opportunity in Canada is open for U.S. exporters willing to venture into the Canadian market.

The changing consumption patterns of Canadian consumers, combined with the close proximity and similarity to the U.S. market, and the improved trading environment offers much promise for the future of U.S. agricultural exports to this large and open market.

For more information, contact Corey Grass at (202) 720-1294

Interested in exporting to Canada?
Contact Stephen Hammond, Agricultural Attache at Tel.: (613) 238-5335 ext. 267. FAX: (613) 233-8511.

Trade Policy Updates

President Makes Wheat EEP Announcement

On September 2, President Bush announced the availability of close to 1.1 billion bushels (30 million tons) of U.S. wheat to 28 countries and regions under the Export Enhancement Program (EEP). This new export package is worth over \$3 billion and replaces all previously announced wheat EEP initiatives. The package will remain in effect throughout the 1992/93 international marketing year for wheat. Initial foreign reaction reported in the press has ranged from cool to hostile. The EC has expressed concern over "market disruption" and escalating tension within the Uruguay Round negotiations. Other suppliers, notably Canada, Australia, and Argentina have characterized the announcement as a election ploy by the President and expressed concerns about being displaced from their traditional export markets.

USTR Announces Retaliation List in Market Access Dispute With China

U.S. Trade Representative Carla Hills announced on August 21 the publication of a list of \$3.9 billion in Chinese imports that could face prohibitive tariffs if China fails to remove market access barriers to U.S. exports. As part of a Section 301 investigation launched last October, the United States must decide before Oct. 10, 1992 whether to take action against Chinese imports if an agreement is not reached. In announcing the action, which followed an unsuccessful round of talks August 19-21 in Beijing, Mrs. Hills said that "if China is to continue to enjoy full access to U.S. markets, then it must play by the rules of the international community and allow access to its markets." The largest of its kind ever published by USTR, the list includes a wide variety of China's industrial and agricultural exports to the United States, including beer, canned vegetables, footwear, silk apparel, leather goods, minerals, industrial hardware, and electronic goods.

Irish Levy Second Shipment of Malted Barley Sprouts

According to an industry report, a second shipment of malted barley sprouts which had cleared Dublin Customs on March 14 was reclassified and assessed a levy of \$230,000 on August 26. The Irish are basing their allegation on a sample taken from the ship at the time of unloading.

Finland to Replace Import Licensing With Import Fees

Finland will replace its system of licensing food imports, a long-standing constraint to U.S. trade, with import fees in 1994. Mandated in order to facilitate Finland's adjustment to the EC, these new fees will reportedly not be customs duties (i.e., tariffication) but import levies. Although a major Finnish farm group is concerned that this change will decrease import protection, FAS is skeptical that it will mean greater access for U.S. agricultural products. U.S. agricultural exports to Finland totaled \$47 million in 1991.

Gulf Cooperation Council (GCC) Seeks to Adopt a Uniform Tariff By March 1993

According to a press report, the six countries comprising the GCC--Saudi Arabia, Bahrain, Oman, Qatar, Kuwait, and the United Arab Emirates-- recently agreed to adopt a uniform external tariff by next March. Currently, GCC individual country tariff rates vary from 1 to 20 percent. The decision to establish a uniform tariff is in response to a key demand by the EC for negotiating the long-sought trade agreement between the two trading blocks.

Denmark Has First Outbreak of BSE ('Mad Cow Disease')

The Animal and Plant Health Inspection Service has now included Denmark on a list of countries with BSE along with the United Kingdom, Ireland, and France. The first confirmed case in Denmark occurred in a small herd of cattle which were imported from the U.K. in 1988, before Denmark implemented its own ban of cattle imports from the U.K..

...Trade Policy Updates

United States Announces New Sugar Quota

Secretary Madigan announced on August 27 that the sugar quota would be 1.23 million metric tons, a decrease of approximately 11.5 percent from the previous level.

Canada Initiates Dumping Investigation of Tomato Paste From the United States

The government of Canada has informed the U.S. Embassy in Ottawa that Revenue Canada, Customs and Excise, has initiated a dumping investigation for tomato paste in containers larger than 100 fluid ounces originating in the United States. This action was based on a complaint filed by the Ontario Food Processors Association, which alleges U.S. origin tomato paste is being exported to Canada at prices which do not allow for the recovery of all costs, plus an amount for profit. There are currently four tomato paste manufacturers in Ontario, which account for 100 percent of Canadian industrial tomato paste production.

Snapback Removed For Lettuce Exported to Canada

The government of Canada has informed USDA that the snapback duty of the U.S.-Canada Free Trade Agreement (FTA) which was imposed for cabbage entering Canada's central tariff region and western tariff region was removed August 20, 1992. This means that the duty on U.S. lettuce exported to these regions of Canada reverts to the FTA rate of 1.6 cents per kilogram (but not less than 9 percent) from the MFN rate of 2.76 cents per kilogram (but not less than 15 percent).

USITC to Conduct 332 Investigation of Canadian and U.S. Dry Pea and Lentil Sectors

The House Ways and Means Committee has requested that the U.S. International Trade Commission (USITC) undertake a section 332 investigation of the competitive position of Canadian and U.S. dry pea and lentil sectors. U.S. dry pea and lentil exporters have expressed concerns about the declines in U.S. market share in India and Colombia in particular, and have alleged that Canadian freight subsidies (in particular the Western Grain Transportation Act - WGTA) and other subsidies (such as the Gross Revenue Insurance Program - GRIP) are responsible for the decline in U.S. exports.

Market Updates

Brazilian Compensatory Tax On U.S. Wheat Likely

The Government of Brazil (GOB) stated it regrets the U.S. announcement of the EEP wheat package, believing it could prejudice a successful conclusion of the Uruguay Round. It further announced it would not purchase EEP wheat and it hoped private millers would not do so, either. Millers report they are receiving phone calls from government officials telling them not to buy EEP wheat and threatening them with a compensatory duty. The GOB initiated a process to determine whether U.S. wheat imported last year under EEP was injurious to the domestic market. A temporary 3-month duty could be placed on this year's wheat imports from the United States at any time. If injury to the domestic market can be proven, a 5-year compensatory tax could be assessed against U.S. wheat. If it is determined the imports were not injurious, duties paid would be returned to importers. Initial press reports indicated the GOB formally agreed to impose a compensatory duty. However, this was not the case, given the requirement that injury to the domestic market must be examined.

Chinese Quarantine Visit Concludes Without Immediate Results

A delegation of Chinese plant quarantine officials concluded a 3-week visit to Hawaiian and West Coast fruit production areas and Washington, D.C. on August 29. They reviewed Medfly exclusion, detection and eradication procedures for U.S. fruit. At the conclusion of their visit, the officials stated more time will be needed to evaluate quarantine issues before U.S. citrus, apples, grapes and stonefruit can be imported to China. Officials maintained China's quarantine policies are technical rather than trade policy issues. However, they conceded the ongoing Section 301 Market Access Investigation will likely speed up their review of the situation.

China Sells Corn Despite So-Called Export Ban

Contrary to an announcement by Chinese Government officials that they were ceasing all new export sales of corn due to low world prices, at least some sales have continued. South Korea reportedly purchased more than 40,000 tons of Chinese corn in late August at C&F prices 5 to 7 dollars under U.S. offers. In recent years, China has been the world's second largest exporter of corn. South Korea has become China's major market for its corn exports. Prior to 1990/91, the United States dominated the South Korean corn import market. However, since then China has overtaken the United States as South Korea's major supplier.

Bulgaria Has Wheat In Export Position For the Former Soviet Union

Private Bulgarian wheat traders reportedly have approximately 350,000 tons of wheat for export to the former Soviet Union, in return for agricultural fuel. This trade may occur despite a sharply lower wheat crop in 1992 and an export ban placed on wheat in 1991. Final approval will depend on Bulgaria's willingness to give up a portion of its already short wheat supplies in return for production inputs for the next crop. This trade comes under terms of an agreement signed in late 1991, in which Bulgaria agreed to export 100,000 tons of wheat in return for fuel. Given Bulgaria's reduced foreign exchange position, barter trade appears to be the only practical way to obtain agricultural production inputs.

EEP, DEIP, SOAP Rules Changed to Facilitate Barter Trade With the Former Soviet Union

On September 4, Deputy Secretary of Agriculture Veneman announced that to facilitate trade with the former Soviet Union, the USDA will allow sales to third-country buyers for commodities destined to the former Soviet Union under the Export Enhancement Program (EEP), the Dairy Export Incentive Program (DEIP) and the Sunflower Oil Assistance Program (SOAP). This change recognizes the significance of compensatory forms of trade taking place in the former Soviet Union, such as barter countertrade, offset arrangements and escrow accounts. This action will provide new opportunities to U.S. exporters who sell wheat, wheat flour, barley, rice, vegetable oil, frozen pork, milk powder and butterfat. All Program Invitations affected by this action have been amended and sent to the trade.

...Market Updates

Danes Raise Cheese Prices

The Danish Cheese Export Board raised the export price of Danish cheese in late August 1992. The new price was slated to go into effect on September 14. This was the first price increase in almost 3 years.

The rise reflects the generally buoyant market for dairy products caused by the shrinking output in almost all EC countries. In Denmark, milk production is 2 percent less than at this time last year. In addition, the percentage of fat in the milk deliveries has fallen so much that total supplies of milk fat from the dairies so far this year have fallen by 4 percent.

European Community milk supplies in the first 6 months of this year fell by an estimated 1.4 percent, to 53.44 million tons, but a marked recovery in the second half is considered by some to be inevitable.

Denmark Imports U.S. Beef

On August 28, a prominent Danish newspaper reported recent imports of 10,000-14,000 kg of U.S. beef in Denmark. According to the article, U.S. beef imports are permitted now that the EC has approved certain U.S. slaughterhouses that process cattle not treated with hormones. The Danes expect to see increased imports of U.S. beef. These beef imports have arrived at a time when Denmark has large stocks of calf meat and is exporting large amounts of dairy cow meat to Germany. A prominent importer of U.S. beef has also reported a recent sale of U.S. beef to Germany.

Canada Lifts Ban On Wheat Shipments to Russia

Canada lifted its 2-week ban on wheat shipments to Russia after Russia made a "modest payment" against the C\$100 million arrears on their C\$1.5 billion grain debt. A Canadian Wheat Board official indicated that Russia had produced a satisfactory long-term plan for dealing with the debt and that for the foreseeable future, it was back to business as usual. The halt in shipments mark the strongest Canadian action to date as they continue to work with the Russians on payment against grain buying debt.

Canada Removes Snapback Duty On U.S. Peaches to Western Region

On September 4, Canada removed the snapback duty imposed on July 20 for U.S. fresh peaches entering Canada's western tariff region (Thunder Bay, Ontario west through the province of British Columbia). The snapback duty was removed because of 5 consecutive days of above benchmark prices. This means the duty on U.S. peaches exported to this region of Canada revert back to the FTA rate of 3.90 cents per kilogram (but not less than 7.5 percent) from the MFN rate of 6.61 cents per kilogram (but not less than 12.5 percent).

French Wheat Sales to Romania Begin

France has begun sales to Romania under a recently announced credit line for 500 thousand tons of wheat. The first sale reportedly covers 300 thousand tons for delivery through October. Sale of the remaining 200 thousand tons will be authorized when Romania make upcoming scheduled payments under previously-announced COFACE credits.

After a 5-year period as a wheat exporter, Romania began importing in 1990/91 due to declining wheat production. France has dominated this new 500 thousand ton market by offering it credit for the third consecutive year.

Venezuela Increases Duty On Poultry Meat Imports

The Government of Venezuela (GOV) recently increased the duty on imported poultry meat from 20 to 32 percent. The GOV took the action after the Venezuelan poultry industry waged a 3-month media campaign which called for protection from imports, questioned the quality of imported U.S. poultry products, and claimed that the United States subsidizes poultry meat exports to Venezuela. The Venezuelan poultry industry's demands for protection followed from an increase in imports of U.S. poultry meat in 1992. U.S. poultry exports to Venezuela increased from 272 tons in the first 7 months of 1991 to 1745 tons in the same period of 1992.

...Market Updates

Greece Detains U.S. Shipments of Dried Fruit and Nuts

Shipments of U.S. walnuts, almonds, and prunes are being detained at Greek ports because Greece has, without notice, began testing all incoming shipments for aflatoxin and enforcing a tolerance level of 1 part per million (ppm), according to the AgCounselor in Athens. Previously, the Greek tolerance was 5 ppm, although U.S. shipments accompanied by the standard U.S. certificate showing aflatoxin levels below 15 ppm were permitted entry. The newly implemented testing process for aflatoxin can take 4-6 weeks per container. Diversion of landed shipments is not permitted. Greece's four largest importers estimate 25-30 containers of walnut kernels, 20 containers of almonds and 8 containers of prunes will be affected immediately. The U.S. Agricultural Attache in Athens is actively working with the Greek Government to resolve this problem.

Philippines Doubles Tariff On Imported Beef

The Central Bank of the Philippines raised the ad valorem tariff on imported beef from 30 percent to 60 percent on August 28, 1992. In addition, the Government of the Philippines (GOP) will continue to control beef imports through licensing requirements. The duty increase is the result of pressure from Filipino beef producers, and comes at a time when U.S. sales are climbing. In the first half of 1992, the United States exported \$700,000 (125 tons) of beef to the Philippines, 43 percent more than in 1991. In 1992, the Philippines is projected to import a total of 17,000 tons of beef, primarily from EC suppliers.

U.S.-Israel FTA Talks Yield Concessions In Dried Fruits and Nuts

The United States was able to gain significant concessions from Israel during the Sept. 9-10, 1992 FTA talks, as a result of our demanding compensation for Israel's abrogation of raisin and prune quota levels. Specifically, Israel agreed to a Memorandum of Understanding that confirms 500 tons of raisin quota and 600 tons of prune quota for 1993 and beyond. Additionally, tariffs on all tree nuts (HS 08.02) except almonds will be reduced on Jan. 1, 1993 from 22 percent to 10 percent, which is 6 percent lower than the duty on corresponding products from the EC. Another important concession obtained is that Israel agreed to not offset the increased market access afforded by the duty reduction by increasing non-tariff barriers. Under the terms of the FTA, all duties between the two countries are scheduled to drop to zero on Jan. 1, 1995.

Canada Considers Easing Health Importation Barrier to U.S. Live Hogs

Canada declares itself free from pseudorabies, an acute infectious disease of pigs. Presently, Canadian animal health regulations for pseudorabies block U.S. exports of live swine for immediate slaughter to Canada. The rule effectively prohibits trade of U.S. live hogs to Canada for immediate slaughter. In contrast, Canadian exports of live slaughter hogs to the United States averaged more than 800,000 head annually in the 3-year period 1989-1991. If feeder hogs are included, Canadian exports to the United States over the same period averaged above 1 million head, with a value exceeding 100 million dollars. Recent developments indicate that Canadian agricultural health officials are considering relaxing the rules that prohibit Canadian packing plants from sourcing slaughter hogs in the United States. According to officials, a risk assessment study has been completed and the Canadian Government is entering a consultation period with Canadian industry. The Agricultural Counselor believes the development is a step in the right direction toward the eventual lifting of an effective ban on imports of live slaughter hogs from the United States.

U.S. Agricultural Exports by Major Commodity Group

Monthly and Annual Performance Indicators and Fiscal 1992 Forecasts

	July			October-July			Fiscal Year		
	1991	1992		1990/91	1991/92		1991	1992(f)	
	-- Bil.\$ --	-- Bil.\$ --	Change	-- Bil.\$ --	-- Bil.\$ --	Change	-- Bil.\$ --	-- Bil.\$ --	Change
Grains & feeds 1/	1.056	1.126	7%	10.381	11.821	14%	12.544	13.7	9%
Wheat & Flour	0.264	0.381	44%	2.459	3.746	52%	3.058	4.3	41%
Rice	0.052	0.054	5%	0.637	0.640	0%	0.752	0.7	-7%
Feed grains 2/	0.499	0.459	-8%	4.721	4.764	1%	5.653	5.7	1%
Corn	0.447	0.420	-6%	4.068	3.823	-6%	4.872	4.7	-4%
Feeds & fodders	0.142	0.148	4%	1.595	1.735	9%	1.926	NA	NA
Oilseeds & products	0.454	0.513	13%	4.935	6.313	28%	5.691	7.2	27%
Soybeans	0.247	0.269	9%	3.098	3.773	22%	3.464	4.2	21%
Soybean meal	0.066	0.098	49%	0.809	1.140	41%	0.978	1.3	33%
Soybean oil	0.043	0.037	-15%	0.141	0.281	100%	0.192	0.3	56%
Other vegetable oils	0.043	0.042	-2%	0.342	0.408	19%	0.412	NA	NA
Livestock products	0.436	0.506	16%	4.634	4.948	7%	5.545	5.9	6%
Red meats	0.204	0.274	34%	2.083	2.419	16%	2.481	NA	NA
Hides & Skins	0.104	0.112	7%	1.234	1.091	-12%	1.439	NA	NA
Poultry products	0.087	0.092	6%	0.837	0.990	18%	1.007	1.2	19%
Poultry meat	0.061	0.066	9%	0.605	0.731	21%	0.726	NA	NA
Dairy products	0.045	0.055	24%	0.288	0.581	102%	0.367	0.6	63%
Horticultural products	0.521	0.536	3%	5.063	5.773	14%	6.020	6.8	13%
Unmanufactured tobacco	0.096	0.152	58%	1.387	1.435	3%	1.533	1.5	-2%
Cotton & linters	0.081	0.102	27%	2.488	2.023	-19%	2.619	2.3	-12%
Planting seeds	0.033	0.028	-14%	0.527	0.563	7%	0.625	0.7	12%
Sugar & tropical products	0.108	0.142	32%	1.311	1.419	8%	1.582	1.7	7%
Forest Products 4/	0.509	0.567	11%	5.351	5.562	4%	6.419	NA	NA
Total Ag. export value	2.917	3.253	12%	31.852	35.867	13%	37.533	41.5	11%

	-- MMT --	-- MMT --	Change	-- MMT --	-- MMT --	Change	-- MMT --	-- MMT --	Change
Grains & feeds 1/	8.047	7.906	-2%	79.036	84.853	7%	NA	NA	NA
Wheat	2.140	2.618	22%	21.565	29.137	35%	26.691	33.5	26%
Wheat flour	0.109	0.104	-4%	0.914	0.709	-22%	1.074	0.9	-16%
Rice	0.145	0.172	18%	2.091	1.923	-8%	2.418	2.2	-9%
Feed grains 2/	4.642	4.068	-12%	43.357	41.602	-4%	51.802	50.4	-3%
Corn	4.157	3.716	-11%	37.259	33.249	-11%	44.496	41.0	-8%
Feeds & fodders	0.809	0.798	-1%	9.295	9.818	6%	11.397	11.5	1%
Oilseeds & products	1.729	1.895	10%	19.389	24.934	29%	NA	NA	NA
Soybeans	1.111	1.159	4%	13.510	16.818	24%	15.139	18.8	24%
Soybean meal	0.326	0.457	40%	4.010	5.357	34%	4.648	5.9	27%
Soybean oil	0.092	0.074	-19%	0.248	0.590	137%	0.354	0.6	69%
Other vegetable oils	0.068	0.070	2%	0.516	0.639	24%	NA	NA	NA
Livestock products 3/	0.205	0.226	10%	1.914	2.260	18%	NA	NA	NA
Red meats	0.064	0.079	24%	0.618	0.723	17%	0.744	0.9	21%
Poultry products 3/	0.051	0.059	17%	0.539	0.666	23%	NA	NA	NA
Poultry meat	0.048	0.057	17%	0.515	0.638	24%	0.614	0.7	14%
Dairy products 3/	0.028	0.028	-2%	0.173	0.316	82%	NA	NA	NA
Horticultural products 3/	0.420	0.500	19%	4.322	5.105	18%	5.048	5.9	17%
Unmanufactured tobacco	0.015	0.021	41%	0.217	0.223	3%	0.239	0.2	-16%
Cotton & linters	0.048	0.078	63%	1.516	1.397	-8%	1.598	1.6	0%
Planting seeds	0.033	0.016	-51%	0.366	0.565	54%	NA	NA	NA
Sugar & tropical products 3/	0.098	0.098	1%	0.950	0.915	-4%	NA	NA	NA
Total Ag. export volume 3/	10.67	10.83	1%	108.42	121.23	12%	129.35	141.5	9%

NA = Not available.

1/ Includes pulses, corn gluten feed, and meal.

2/ Includes corn, oats, barley, rye, and sorghum.

3/ Includes only those items measured in metric tons.

4/ Wood products are not included in agricultural product value totals.

Note--1992 forecasts are taken from "Outlook for U.S. Agricultural Exports," August 27, 1992.

U.S. Agricultural Export Value by Region

Monthly and Annual Performance Indicators and Fiscal 1992 Forecasts

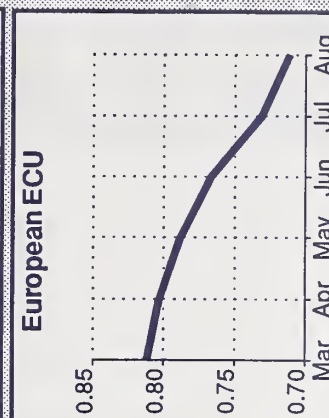
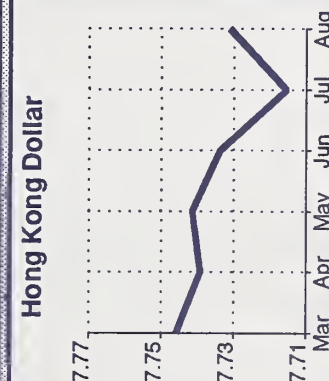
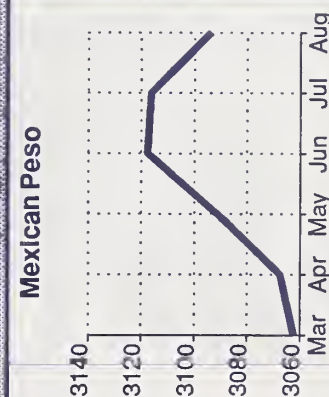
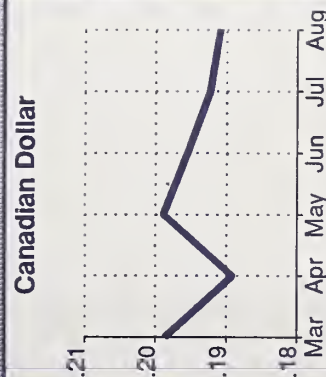
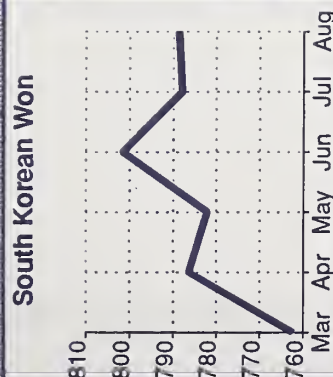
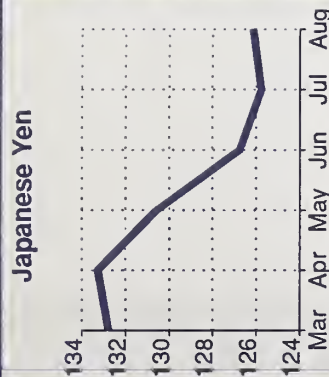
	July			October–July			Fiscal Year		
	1991	1992		1990/91	1991/92		1991	1992(f)	
	-- Bil.\$ --		Change	-- Bil.\$ --		Change	-- Bil.\$ --		Change
Western Europe	0.428	0.354	-17%	6.413	6.671	4%	7.310	7.6	4%
European Community	0.393	0.323	-18%	5.968	6.226	4%	6.774	7.1	5%
Other Western Europe	0.035	0.031	-11%	0.445	0.445	0%	0.536	0.5	-7%
Eastern Europe	0.015	0.015	-2%	0.261	0.165	-37%	0.303	0.2	-34%
Former Soviet Union	0.113	0.191	69%	1.361	2.388	75%	1.716	2.7	57%
Asia	1.074	1.221	14%	12.490	13.579	9%	14.647	15.7	7%
Japan	0.538	0.658	22%	6.618	7.085	7%	7.718	8.2	6%
China	0.037	0.006	-83%	0.569	0.650	14%	0.667	0.9	35%
Other East Asia	0.363	0.395	9%	3.966	4.186	6%	4.644	4.9	6%
Taiwan	0.130	0.124	-5%	1.454	1.629	12%	1.736	1.9	9%
South Korea	0.174	0.205	18%	1.872	1.865	-0%	2.159	2.2	2%
Hong Kong	0.059	0.066	12%	0.636	0.691	9%	0.744	0.8	7%
Other Asia	0.136	0.161	18%	1.338	1.657	24%	1.618	1.8	11%
Pakistan	0.013	0.009	-30%	0.100	0.164	64%	0.143	0.2	39%
Philippines	0.037	0.048	32%	0.296	0.360	22%	0.373	0.4	7%
Middle East	0.118	0.186	57%	1.150	1.437	25%	1.366	1.5	10%
Iraq	0.000	0.000	0%	0.000	0.000	0%	0.000	0.0	0%
Saudi Arabia	0.037	0.033	-11%	0.381	0.411	8%	0.481	0.6	25%
Africa	0.163	0.247	51%	1.505	1.696	13%	1.819	2.2	21%
North Africa	0.109	0.133	21%	1.111	1.102	-1%	1.325	1.4	6%
Egypt	0.062	0.072	16%	0.585	0.585	0%	0.692	0.7	1%
Algeria	0.027	0.031	18%	0.353	0.349	-1%	0.422	0.5	18%
Sub Saharan Africa	0.054	0.114	113%	0.394	0.594	51%	0.493	0.8	62%
Latin America	0.572	0.594	4%	4.605	5.388	17%	5.474	6.4	17%
Mexico	0.316	0.361	14%	2.450	3.122	27%	2.872	3.7	29%
Other Latin America	0.256	0.232	-9%	2.155	2.266	5%	2.601	2.7	4%
Brazil	0.034	0.004	-89%	0.209	0.130	-38%	0.271	0.2	-26%
Venezuela	0.032	0.029	-10%	0.253	0.309	22%	0.307	0.4	30%
Canada	0.386	0.401	4%	3.681	4.007	9%	4.395	4.8	9%
Oceania	0.030	0.032	8%	0.287	0.354	24%	0.344	0.4	16%
World Total	2.917	3.253	12%	31.853	35.868	13%	37.533	41.5	11%

Exchange Rate Movements Of Major World Currencies Vis-a-Vis U.S. Dollar -- Daily Spot Quotations & Monthly Averages

Currencies	Current Rate 9/14/92	Month Ago 8/14/92	Year Ago 9/91	%Change YearAgo 9/91
Japanese Yen				
South Korean Won				
Canadian Dollar				
Mexican Peso				
Hong Kong Dollar				
European ECU				
Argentine Peso 1\	.99	.99	.98	-0.17
Australian Dollar	1.3630	1.3898	1.2558	8.54
Brazilian Cruzeiro	5411.00	4461.00	410.31	1218.76
Canadian Dollar	1.2135	1.1955	1.1355	6.87
Hong Kong Dollar	7.7330	7.7333	7.7490	-0.21
Japanese Yen	124.37	126.33	134.00	-7.19
Mexican Peso	3091.01	3090.00	3048.00	1.41
Taiwan Dollar	25.01	24.89	26.26	-4.76
South Korean Won	785.95	789.25	740.15	6.19
European ECU	.73687	.71597	.82495	-10.68
-British Pound	.5291	.5184	.5777	-8.41
-French Franc	5.0390	4.9450	5.7440	-12.27
-West German Mark	1.4870	1.4560	1.6870	-11.86

1\ The Argentine Austral was recently converted to the Peso at a rate of 10,000 to 1.

NOTE: Exchange rates are daily spot quotes as of 3:00 PM Eastern Time, September 14, 1992.
Source: TEID/TP/EAS Exchange Rate Database and Wall Street Journal.



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